COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S NOTICE OF CHANGES IN RATES AND TARIFFS FOR WHOLESALE ELECTRIC SERVICE AND OF A FINANCIAL WORKOUT PLAN	))))	CASE NO. 9613

O R D E R

IT IS ORDERED that Big Rivers Electric Corporation ("Big Rivers") shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record, by September 25, 1986, or within 10 days after the date of this Order, whichever is later. Where a narrative discussion or explanation is requested, explain in detail all components used in each calculation including the methodology employed and all assumptions applied in the derivation of each calculation. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. If the information cannot be provided by the due date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

Information Request No. 2

1. With reference to Exhibit 5, Entry 2, provide the workpapers supporting this adjustment. Include a detailed narrative discussion.

2. With reference to Exhibit 5, Entry 3, provide the following:

a. Workpapers supporting all calculations. The derivation of the revenue of each category should be clearly discernible.

b. Support for the opinion that ALCAN will increase contract demand and will operate at a 97.5 percent load factor.

c. Support for the conclusion that NSA will not decrease demand and will operate at a 99 percent load factor.

d. Support regarding the conclusion that Green River Coal will increase demand.

e. Workpapers supporting the projections of increased usage and heating and cooling degree days for rural consumers.

3. With reference to Exhibit 5, Entry 4, provide the following:

a. Workpapers showing how intersystem sales were determined for each purchaser.

b. Compare total revenues, demand sales and energy sales with test year actual.

c. Workpapers supporting the estimated revenue from energy sales.

4. With reference to Exhibit 5, Entry 5, provide the following:

a. Workpapers showing how the 1985 cost was determined.

b. What would the fuel cost in mills/KWH for each unit be if based on 1985 actual costs? Provide workpapers.

c. Reconcile the 1985 KWH generation of 8,227,930,100 to the KWH actual sales of 6,908,671,406 shown on page 3 of Entry 3. Relate this reconciliation to the pro forma KWH generation of 11,230,039,000.

d. A detailed analysis including workpapers supporting the pro forma KWH generation for individual stations.

e. Reconcile the actual fuel cost with the $95,774,424 expense shown in Exhibit 2, page 37.

5. With reference to Exhibit 5, Entry 7, provide the following:

a. What were the actual test year sales to MEAM?

b. What was the test year rate for MEAM wheeling?

c. A copy of the transmission letter agreement.

6. With reference to Exhibit 5, Entry 8, provide the following:

a. How were the SEPA demand and energy levels determined?

b. Document any evidence and/or workpapers supporting the demand and energy rates.

7. With reference to Exhibit 5, Entry 2, provide the following:

a. Detailed workpapers supporting this adjustment.

b. A narrative explanation which includes the reason why this adjustment is required. Include a discussion of assumptions or allocations that were employed.

8. With reference to Exhibit 5, Entry 9, provide the following:

a. The purchase price for each month of the test year and each month of 1986 for each type of lime and/or limestone used at each plant.

b. The details of any purchase contracts in effect or pending.

c. Support for the Green pro forma generation of 3,336,091,000 KWH.

d. Workpapers supporting the Wilson plant estimates.

9. With reference to Exhibit 5, Entry 10, provide the following:

a. The reason for using the nameplate rating of Green as a basis for this adjustment.

b. The reason for the adjustment decreasing the scrubber/solid waste maintenance for Wilson.

c. The amount and workpapers supporting the test-year operating and maintenance expenses of Wilson that were capitalized. Include a narrative explanation.

10. With reference to Exhibit 5, Entry 11, provide workpapers supporting this adjustment. Include a narrative explanation.

11. With reference to Exhibit 5, Entry 12, provide the following:

a. The 1986 property tax assessment in the same format as pages 2 through 4.

b. For 1985 and 1986, show, in the same format as pages 2 through 4, the assessment related to the Wilson facilities.

12. With reference to Exhibit 5, Entry 13, provide the workpapers supporting the Wilson pro forma depreciation calculated using the sinking fund method. Include a narrative explanation.

13. With reference to Exhibit 5, Entry 14, provide workpapers supporting this adjustment. Include a narrative explanation.

14. With reference to Exhibit 5, Entry 16, provide the following:

a. A schedule of test-year labor costs in the same format as pages 3 through 8.

b. Test-year-end annualized labor costs compared/ reconciled with the pro forma cost on page 2.

c. A comparison of the test year-end number of employees and the number of employees included in this adjustment.

d. A comparison of the test-year monthly rates for medical insurance with the pro forma rates on page 10.

e. Documentary support for the monthly life insurance rates and for the long-term disability premium.

f. A comparison of the test-year monthly rates for dental insurance with the pro forma rates on page 11.

g. Workpapers supporting the weighted average company contribution to the savings plan. Compare with test year actual.

h. Workpapers supporting the charges to HMP&L and to construction; compare with test year actual.

15. With reference to Exhibit 5, Entry 17, provide the following:

a. An explanation for the increased insurance cost for each coverage.

b. A comparison of bids received with a narrative explanation for the company selected.

16. With reference to Exhibit 5, Entry 18, provide the terms of the contract and details of the selection process.

17. With reference to Exhibit 5, Entry 22 and the debt restructuring workout plan filed in this case, provide the workpapers supporting the $46,902,733 adjustment. Include a narrative explanation and reference the section of the workout plan to which each calculation relates.

18. With reference to Exhibit 5, Entry 23, provide an explanation of the reason and basis for this adjustment. Include workpapers supporting the calculation.

19. With reference to page 5, section 12 of the Application, regarding the costs of the Wilson plant that will become payable as operating expenses, provide the amount charged each item in the test year.

20. With reference to page 8, section 19 of the Application, provide the amount of internally generated funds used to convert the Wilson plant into an income producing asset. Include the source of these funds.

21. With reference to page 9, section 22 of the Application, provide any study or other documentary information supporting the contention that the proposed rates will be competitive with other utilities in this area and below those in other sections of the country.

22. With reference to page 10, section 24 of the Application, provide an explanation for the expanded off-system sales and itemize the type and amount of the other cost reduction measures.

23. Explain the basis for the TIER request of 1.1296.

24. Identify and explain any earnings ratios other than TIER used as the basis for the requested revenue increase.

Question Numbers 25 through 27 refer to the testimony of W.H. Thorpe, General Manager:

25. With reference to the response to Question No. 13 of the testimony, provide the dollar amount associated with each of the five items listed.

26. Provide workpapers supporting the cost savings discussed in response to Question No. 15 of the testimony.

27. Provide documentary evidence supporting the response to Question No. 19 of the testimony that the proposed rates will cause Big Rivers' residential consumers to pay at retail, close to the midpoint of the residential rates charged by other Kentucky utilities.

Question Numbers 28 through 35 refer to the testimony of Paul A. Schmitz, Vice General Manager of Finance:

28. With reference to the response on page 8, to Question No. 12 of the testimony, should Big Rivers not achieve its sales

targets, for what period of time will these amounts be deferred and at what additional cost?

29. If Big Rivers meets its sales targets, what projected amounts of additional rate relief will be necessary for Big Rivers to fully comply with its debt obligations?

30. If Big Rivers does not meet its sales targets, what projected amounts of additional rate relief will be necessary for Big Rivers to fully comply with its debt obligations?

31. Under the terms of the debt restructuring workout plan, is there provision for future cancellation of debt or deferred interest if Big Rivers is unable to meet its targets?

32. Provide any documents relating to any discussion of the possibility of cancelling any debt of Big Rivers' creditors.

33. Why is Big Rivers requesting a TIER of 1.1296?

34. Provide the dollar amount and supporting workpapers for each of the items listed in response to Question No. 25 of the testimony.

35. Provide a schedule, including the dollar amount, of the items related to the Wilson plant included in the known and determinable adjustments to operations referred to in the response to Question No. 26 of the testimony.

Question Numbers 36 through 42 refer to Big Rivers' response to the Commission's Information Request No. 1:

36. With reference to Item No. 11, reconcile the net book value when purchased of $1,106,107 to the net original cost of $989,061 as determined in Case No. 7787.

37. With reference to Item No. 14b, provide an explanation of the test-year increased costs for the following:

a. Account No. 513--Maintenance of Electric Plant. Include a discussion of the increase of $628,479 in Account No. 513.310--Maintenance of Electric Plant - Expense - Green.

b. Account No. 514--Maintenance of Miscellaneous Steam Plant. Include a discussion of the increases of $42,163 in Account No. 514.300--Maintenance of Miscellaneous Steam Plant - Labor - Green and $56,422 in Account No. 514.310--Maintenance of Miscellaneous Steam Plant - Expense - Green.

c. Account No. 560--Operation Supervision and Engineering.

d. Account No. 562--Station Expense. Include a discussion of the increase of $42,915 in Account No. 562.110--Station Expense - Expense.

e. Account No. 568--Maintenance Supervision and Engineering.

f. Account No. 571--Maintenance of Overhead Lines. Include a discussion of the increase of $51,174 in Account No. 571.110--Maintenance of Overhead Lines - Expense.

g. Account No. 923--Outside Services Employed. Include a discussion of the increase of $331,171 in Account No. 923.100--Outside Services Employed.

h. Account No. 925--Injuries and Damages. Include a discussion of the increase of $56,005 in Account No. 925.120--Injuries and Damages - Coleman; $241,917 in Account No. 925.130--Injuries and Damages - Green; and $111,879 in Account No. 925.170--Injuries and Damages - General.

38. With reference to Item No. 14a, provide an explanation of the test-year increased costs for the following:

a. Account No. 502.311--Scrubber/Solid Waste - Expense - Green.

b. Account No. 512.311--Maintenance Scrubber/Solid Waste - Expense - Green.

c. Account No. 555.110--Purchased Power - SEPA.

39. With reference to Item No. 20, concerning Account No. 930--Miscellaneous General Expenses, provide the following:

a. A discussion of each item included that is not incurred annually.

b. A 5-year comparison of the dues paid each Industry Association and of Directors' Fees and Expenses.

c. For each director, provide a brief description of each voucher payment.

d. A brief explanation of each item included in the $10,094.63 on page 12.

e. An explanation of why the expenses in Account No. 426--Miscellaneous Income Deductions should not be excluded for rate-making purposes.

f. A brief description of the Energy Awareness Program for which East Kentucky Power Cooperative was paid $3,588.90.

g. An explanation of why the $18,787.04 payroll expense on page 13 of the Vice General Manager of Environmental and Public Affairs should not be excluded for rate-making purposes.

40. With reference to Item No. 2, professional services, provide the following:

a. A comparison of each item for the test year and past 5 years.

b. Are any expenses included that are not incurred annually?

c. A brief description of the engineering services for which Burns and Roe Enterprises was paid $1,670,575.90.

d. A brief description of the medical services included in this item.

41. With reference to Item No. 23, please explain to which account(s) the $8,830.43 expenses of Barry L. Mayfield and $15,346.24 of Hayden Timmon were charged.

42. With reference to Item No. 45, explain why workers compensation for 1984 was $333,248, but $883,789 for 1985, and why retirement benefits were $819,503 and $239,594 for 1984 and 1985, respectively.

43. Provide a detailed billing analysis of present rates annualized to actual usage.

44. Provide the total tonnage and dollar amount of test-period-ending coal inventory, the number of days of coal usage in the test-period-ending coal inventory. Provide all workpapers for the calculations above.

45. Provide any study Big Rivers has made on the impact ratchet demand billing will have on the smaller industrial and commercial operations.

46. In Big Rivers' last rate case PSC #9163 on page 3 in the original filing under, OMISSION OF D.B. WILSON STATION COSTS FROM BREC KENTUCKY RATES, it was stated that "capital costs associated with the Wilson Station will be recovered by. . .sales of power generated from that station and sold by Big Rivers to non-members."

What specific changes have occurred since then so that the Wilson Station is no longer considered largely surplus to Big Rivers' present needs?

47. In McCoy's testimony [Exhibit 17, p. 9, question (11)] it was stated that with or without Wilson "import limits were, under a single contingency outage, 150 or 175 MW depending upon the source of import."

a. Provide an estimate of the probability of such an outage occurring.

b. Provide the import limitations given such an outage does not occur.

The following questions refer to the Joe L. Craig Testimony, Exh. JLC-3:

48. What adjustment in fuel cost is made for BTU content for the various generating plants?

a. Is 11,200 BTU/lb. specified for all fuel purchases?

The following questions refer to the J. E. Dolezal Testimony, Page 5:

49. Furnish copies of the load flow studies mentioned here and any necessary interpretations and analyses relating to them.

The following questions refer to the F. L. McCoy Testimony:

50. Furnish copies of load flow diagrams used in the Westinghouse and Slant Computer Programs for Transmission Study, Exh. FLM-2.

51. The import study seems to show the Big Rivers' existing transmission system as the limiting factor in power imports. Have any studies been made to determine what additional transmission facilities would be needed to overcome this limitation? If so, please furnish the results of the study including costs, voltages, routes of lines, estimated costs, etc., Exh. FLM-2.

52. Furnish a copy of the 1984 update of the 1980 Power Requirements Study. (Page 13).

Done at Frankfort, Kentucky, this 15th day of September, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Heman Jr.
For the Commission

ATTEST:

Executive Director